

DATE: DECEMBER 10, 2012

AGENDA ITEM 5

TO: THE LOS ANGELES GRAND AVENUE AUTHORITY

FROM: JENNY SCANLIN, CRA/LA, A DESIGNATED LOCAL AUTHORITY,
REGIONAL ADMINISTRATOR
DAWN MCDIVITT, COUNTY OF LOS ANGELES, CHIEF EXECUTIVE
OFFICE, MANAGER

SUBJECT: GRAND AVENUE PROJECT – Non-monetary Action. APPROVAL OF VARIOUS ACTIONS TO IMPLEMENT THE DEVELOPMENT OF GRAND AVENUE PROJECT-PHASE IIB ON PARCEL M-2 (225 - 237 SOUTH GRAND AVENUE) OWNED BY THE CRA/LA, A DESIGNATED LOCAL AUTHORITY (SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF LOS ANGELES, CA) IN THE BUNKER HILL REDEVELOPMENT PROJECT AREA.

IT IS RECOMMENDED THAT THE AUTHORITY:

5. a. Acting as lead agency, find that the recommended actions are within the scope of the Grand Avenue Project in the previously certified Final Environmental Impact Report and Addendum.
5. b. Approve and authorize the Chair, or her designee, to execute the Third Amendment to the Disposition and Development Agreement and ancillary documents which revise the Scope of Development for Grand Avenue Project-Phase IIB and delineate the terms and conditions for financing, development and leasing of Parcel M-2 (Attachment A, Location Map).
- 5.c. Approve and authorize the Chair, or her designee, to consent to Grand Avenue Los Angeles, LLC's assignment and assumption agreement with Grand Avenue M Housing Partners, LLC with respect to certain rights to Grand Avenue Project-Phase IIB under the Disposition and Development Agreement, as amended, in order to permit Grand Avenue M Housing Partners, LLC to construct the mixed use project on Parcel M-2.
- 5.d. Authorize the Chair, or her designee, to execute (1) a ground lease with the CRA/LA, a Designated Local Authority in substantial conformance with the form of ground lease attached to the Third Amendment to the Disposition and Development Agreement to reflect the specifics of the transaction and (2) two sub-ground leases between: (i) the Authority and Grand Avenue M Housing Partners, LLC for development of Parcel M-2 and operation of the affordable units; and (ii) the Authority and Grand Avenue M Urban Housing, LLC for operation and ownership of the market rate units and retail space and to take such other actions as may be necessary to carry out the transaction.

- 5.e. Adopt the resolution attached as Attachment B making the findings that an economically feasible alternative of financing the affordable housing on substantially comparable terms and conditions but without subordination of the Authority affordable housing covenants and use restrictions is not reasonably available, and authorize the Authority's negotiation and execution by the Chair or her designee of agreements subordinating the Authority's Deed of Trust, affordable housing covenants and use restrictions to the senior loans to be provided for the Phase IIB development.
- 5.f. Authorize the application of proceeds from any repayment of the \$5.9 million Affordable Housing Loan to develop new affordable units in Downtown Los Angeles and authorize the Authority's negotiation and execution by the Chair or her designee of an agreement between the Authority and the City of Los Angeles to allow for the transfer of loan repayment proceeds for this purpose.
- 5.g. Approve a change to the Schedule of Performance contained in the Third Amendment to the Disposition and Development Agreement, as requested by Grand Avenue L.A., LLC, for Grand Avenue Project-Phase IIB, to extend the outside completion date for Phase IIB by 3 months, from March 31, 2015 to June 30, 2015, in order to conform to the 3-month extension previously granted by the Authority for the Commencement of Construction of Phase IIB.
- 5.h. Authorize the Chair, or her designee, to execute (1) the listed documents and ancillary documents (Attachment C, Summary of Transaction Documents) attached to the specifically listed documents all substantially in the forms attached or presented, including but not limited to grant and loan agreements necessary to transfer funds contributing to the Grand Avenue Project-Phase IIB affordable housing which are held for that purpose by the Authority, reciprocal easements and estoppel documents and (2) any other documents necessary to implement and effect the Authority approvals for Grand Avenue Project-Phase IIB and in accordance with the Disposition and Development Agreement, as amended, all after approvals as to form by Authority counsel.
- 5.i. Designate as authorized to execute documents for the Chair for these approvals, if necessary or convenient for timely execution of project documents, either the Vice-Chair or Secretary of the Authority.

PURPOSE AND JUSTIFICATION OF RECOMMENDED ACTION

Background

In April 2011, your Board approved various actions relative to the phased development of the mixed-use Grand Avenue Project. Among those actions was the approval of the Second Amendment to the Disposition and Development Agreement (DDA) between the Authority and the Grand Avenue L.A., LLC (Developer) which: 1) outlined the terms and conditions for development and lease of the Bunker Hill Properties owned by the

County of Los Angeles (County) and Community Redevelopment Agency of the City of Los Angeles (CRA/LA); 2) approved the change in scope of development to permit construction of the Broad Museum (Phase IIA); and 3) divided the remaining Grand Avenue Project Phase II into Phases IIB and IIC.

The recommended actions in this report, primarily relate to Grand Avenue Project-Phase IIB (Phase IIB Project), the proposed mixed use high-rise tower, and provide for technical and structural modifications to the DDA, as amended by the First and Second Amendments, to conform to Phase IIB Project's final scope of development, financing plan, operations and ownership (Attachment D, Third Amendment to the DDA).

The required approvals from other jurisdictions were obtained by the CRA/LA on November 29, 2012; by the County on December 4, 2012; and are scheduled for the City Council at its December 7, 2012 meeting.

Grand Avenue Project-Phase IIB Scope of Development

In October 2011, your Board approved the schematic design including requirements for project amenities/elements of the Phase IIB Project, on Parcel M-2 owned by CRA/LA. In accordance with the Amended DDA, the schematic design included a residential tower and retail (restaurant) development on Parcel M-2 located south of General Thaddeus Kosciuszko Way (GTK Way). The design of the Phase IIB Project is intended to complement the Phase IIA Project (Broad Museum Project) and allows for a public plaza surrounding the residential tower to connect over GTK Way to the Broad Museum.

The Phase IIB Project Scope of Development is proposed to be amended to reflect the final breakdown of units, parking, and retail space on Parcel M-2. The proposed revised plans for the 229,000 square foot Phase IIB Project reflect changes, since the October 2011 Board approval of schematic design plans, to increase from a 19-story to a 20-story residential tower above three levels of parking extending from the grade at Lower Grand Avenue to the level of Upper Grand Avenue. The parking will not be visible to pedestrians on Upper Grand Avenue or the proposed public plaza and has been reduced from 280 stalls to 269. The project will have a covenant for 36 spaces in the Broad garage in order to accommodate the affordable housing and commercial tenant parking.

The revised plans for the residential tower, with construction anticipated to begin in December 2012, has increased from 258 residential rental units to 271 residential rental units, including 58 studios, 111 one-bedroom, and 47 two-bedroom apartments. Increasing the total number of units since the October 2011 review of the Phase IIB Project has also increased the affordable unit count from 52 to 56, including one manager's unit. Grand Avenue L.A., LLC has been able to provide deeper affordability on the housing units than required under the terms of the DDA. In accordance with the Amended DDA, 20 percent (56 units including one manager's unit) will be restricted through a 55-year covenant for rental to low- and very low-income households. The affordable units include 9 restricted to 40 percent area median income; 46 units

restricted to 50 percent area median income using Tax Credit Allocation Committee standards; and one manager's unit. Effective December 1, 2011, the California Tax Credit Allocation Committee range of affordable rents, for projects placed in service on or after December 1, 2011, reflect the affordable rent ranges for the 40% units would be \$591 to \$759 depending on the size of the unit and \$738 to \$948 for 50% units. The remaining 80 percent of the residential units will be rented at market rates. Unit sizes will vary from 530 to 670 square-feet for studios, 740 to 900 square-feet for one-bedroom units, and 950 to 1,404 square-feet for two-bedroom units. Three penthouse units will range in size from 1,450 to 1,890 square-feet.

Residential amenities will include a private pool, dog run, barbeque, and deck area on the ground floor; a rooftop garden, including a gathering space and large community room on the 20th floor; a gym, yoga room, media room, and conference room all located on the ground floor with views of the public plaza or private pool area. In addition, 5,500 square-feet of indoor restaurant space plus approximately 1,750 square-feet of outdoor restaurant patio area will be located on the ground level affording views of surrounding Grand Avenue attractions.

The landscape concept provides for a variety of outdoor functions that include seating areas, barbecue zones, and water features. The residential tower façade will be precast and texturally similar and complementary to the design of the adjacent Broad Museum being constructed just north of the Phase IIB Project site.

Acclaimed architectural firm Arquitectonica was selected through a request for proposals by GALA to design the mixed-use tower. Staff for the CRA/LA has reviewed and provided guidance on the design and configuration of the site through the schematic and construction drawings and has provided final approval the Project Documents.

Public Plaza

The public plaza will not only act as a shared amenity to the Phase IIA, B and C Projects being developed immediately adjacent on Parcels L and M-2 but is a critical point of access to their buildings. The DDA recognizes this and contemplates the execution of a Plaza Reciprocal Easement Agreement (REA) between the owner of the public plaza and the owners of the Broad Museum Project and Phase IIB (proposed apartment tower) Projects to address management, maintenance, and liability for the public plaza. Although the public plaza will be constructed as part of the Broad Museum Project, Grand Avenue M Housing Partners, LLC will be a party to a REA for the public plaza and will be constructing stairs and an elevator to the plaza from Hope Street as well as a continuation of the public plaza in an outdoor dining and smaller garden area on the southern end of Parcel M-2. Although ancillary to the Parcel M-2 development, the Third Amendment to the DDA includes the addition of language which would allow for construction of a restaurant use on the public plaza utilizing some of the retail/commercial space originally allotted for the Parcel M-2 and Broad Museum Project development.

The parties currently involved, which include the CRA/LA as the intended owner of the public plaza, have agreed to some basic financial and maintenance terms incorporated in a side letter that will be executed along with the ground lease and sub-ground lease documents. However, all parties need more time to work out the details and have agreed to ensure a public plaza REA is executed prior to issuance of a Certificate of Completion for the public plaza. Therefore, the DDA Third Amendment will extend the timeframe for execution of a public plaza REA and remove it as a pre-condition for execution of the ground lease.

Phase IIB Project Conforming Construction Time Extension and Integrated Current Schedule of Performance Milestones for all Parcels

The proposed Third Amendment to the DDA includes changes to the Schedule of Performance as requested by GALA, for the Phase IIB Project, to extend the outside completion date for the Phase IIB Project by 3 months, from March 31, 2015 to June 30, 2015, in order to conform to the 3-month extension previously granted by the Authority and the CRA/LA in September 2012, for the Commencement of Construction of Phase IIB Project from October 1, 2012 to December 26, 2012. In addition, the Schedule of Performance has been updated to consolidate into one Schedule this short extension and all other previously approved upcoming performance milestones for all phases of the Grand Avenue Project.

CRA/LA Art Policy and Art Plan for Phase IIB Project

The First Amendment to the DDA created a stream of funding for the Broad Museum Project by dedicating 65% of the 1% Public Art Fee on Phase IIB Project to the Broad Foundation. The Phase IIB Project developer was allowed to spend the remaining 35% of the 1% Public Art Fee for on-site art improvements subject to approval of an art plan by the CRA/LA.

The proposed Third Amendment to the DDA requires the Phase IIB Project developer to utilize 35% of the 1% Public Art Fee off-site to construct an extension to the public plaza on Upper Grand and decorative gating on Lower Grand and Hope Street over a CRA/LA-owned easement on the Grand Promenade Apartments parcel, located south of the Phase IIB Project. Without these proposed improvements, the easement would create a 15-foot wide, three-story canyon between the Phase IIB Project and the Grand Promenade Apartments. The construction of these improvements is dependent on cooperation from the owner of the Grand Promenade Apartments and CRA/LA certification that the budget for the proposed improvements is equal to or more than the 35% art fee calculation. If the Phase IIB Project developer cannot obtain the approvals necessary to construct the off-site easement improvements, they will return to the Authority and CRA/LA with an Art Plan that utilizes their fee for on-site art improvements.

Grand Avenue Project-Phase IIB Financing

The Phase IIB Project is estimated to cost \$119 million, funded with 4% tax credit equity provided by Boston Financial, tax exempt bonds issued by the City of Los Angeles and purchased by Citibank, and investment from the Authority for affordable housing in the amount of \$13.8 million (See Attachment E, Sources and Uses). The Authority's investment is from a \$7.9 million payment from the Broad Collection in connection with Parcel L, including the interest income it has earned, and a \$5.9 million loan of Low Moderate Income Housing Trust Funds provided to the Authority by the CRA/LA in accordance with the original DDA and Conveyance and Funding Agreement. Additional equity in the project comes in the form of a letter of credit from State Teachers Retirement System Ohio (STRS Ohio) for \$21.9 million held to guaranty repayment on the bonds which mature seven years after the project is placed in service. Financing on the \$22.5 million affordable component of the project is uniquely structured with little permanent debt except the residual receipt loan from the Authority and a loan of the Authority's \$7.9 million grant funds through an affiliate of the Related Companies.

Rents on the market rate units are priced around \$3.37 a square foot, comparable to rents for other luxury tower projects in Downtown Los Angeles. Although the project has higher operating costs as a luxury building, the cash flow estimates are reasonable and can meet the debt coverage ratio required by the senior lender, Citibank. The project complies with typical underwriting standards and the developer fee is tied to a 4% return on cost (\$4.5 million) which has been determined by the CRA/LA to be acceptable when considering the project's risk factors and holding cost.

The Authority's financial participation in Phase IIB Project is defined in the Amended DDA and remains consistent in the proposed Third Amendment to the DDA. In order to effectuate the issuance of the \$7.9 million grant and \$5.9 million loan, the Authority will execute grant and loan documents secured by a deed of trust and affordability covenants which have been negotiated and reviewed by all relevant parties. The majority of funding for the \$5.9 million loan has been deposited with the County Treasurer per the DDA and the CRA/LA has approval from the California Department of Finance to make the final deposit in January 2013. The terms of the Authority Loan are consistent with those presented in the Second Amendment to the DDA. The \$5.9 million loan is comprised of \$100,000 per affordable unit, adjusted from 2007 per the Consumer Price Index. Once transferred to the Authority, these funds will be disbursed to Grand Avenue M Housing Partners, LLC as a 55-year residual receipts loan, bearing 3% annual interest, using the standard CRA/LA loan instrument. Any loan proceeds returned to the Authority are required to be spent on affordable housing in the Downtown Los Angeles area.

The majority of funding for the Authority's Loan is Bunker Hill Redevelopment Project Area Low and Moderate Income Housing Trust Funds. As a result, the loan terms must be consistent with California Redevelopment Law (CRL). CRL permits subordination of income and use restrictions to a lender's financing where an economically feasible alternative method of financing the project on substantially comparable terms and

conditions is not available without subordination, and where the lender agrees to provide specific notice and cure provisions. Subordination of the Authority's housing covenants and use restrictions are required by Citibank, the construction lender, and STRS Ohio, an equity investor, during construction financing. At conversion to permanent financing, both Citibank and STRS Ohio's deeds of trust will be reconveyed, however, Citibank will require a pledge of net cash flow from the affordable development in case of default by the market rate developer on the bond debt during the term of the bond debt. The pledge is only triggered in default and is in consideration of the market rate development taking on more than 80% of the bond debt for the Phase IIB Project. Prior to agreeing to conventional lender subordination, the Authority will require that the Subordination Agreements contains notice and cure provisions which reasonably protect the Authority's covenant in the event of the developer's default under any of the senior loans.

The Broad Collection's funds are already on deposit with the County Treasurer and the total amount of the grant is set at approximately \$7.9 million and includes interest on the original deposit. Additional provisions to the grant agreement allow the funds to be given to an intermediary lender who will lend the funds to the affordable housing developer. If at any time funds from the grant are returned to the intermediate lender, there are provisions in the grant that require the lender to share those loan proceeds with the Authority.

Leasehold Acquisition Fee Determination

Section 204 of the DDA as amended in the Second Amendment to the DDA provides for the calculation of the Leasehold Acquisition Fee for the Phase II parcels. The Leasehold Acquisition Fee is defined as the greater of: (1) 90% of the Fair Market Value of the parcel as appraised, or (2) calculated value based on the final development envelope by type and density (e.g. a per unit calculation of \$20,000/unit for market rate rental and a per square foot calculation for retail) as increased annually by CPI. The proposed Third Amendment to the DDA maintains this same approach to the Leasehold Acquisition Fee, however, it provides clarity on what constitutes GALA's initial deposit towards the Leasehold Acquisition Fee for Phase IIB and the timing of payment of the Leasehold Acquisition Fee.

In 2005, Related Company provided the Authority with a \$50 million Letter of Credit to preserve their rights to the Grand Avenue Project. In 2007, when the DDA was executed, GALA provided the Authority with a cash deposit of \$50 million as its Leasehold Acquisition Fee for Phase I and part of Phase II. Approximately \$44 million was allocated to Phase I and a Ground Lease for Parcel Q was executed in consideration. The balance (\$5,220,000) was considered a credit towards GALA's Leasehold Acquisition Fee for the future Phase II. Under the DDA, the Authority was allowed to draw on the deposit for the development of Grand Park. The proposed Third Amendment to the DDA clarifies that the \$5,220,000 deposit and imputed interest on that deposit can be used by GALA as a credit towards their Phase IIB Project Leasehold Acquisition Fee.

If the Leasehold Acquisition Fee is determined to be more than the sum total of the \$5,220,000 deposit and imputed interest GALA will owe the Authority the balance. This balance owed will be paid to the Authority at first sale of Phase IIB Project's market rate parcel or first sale of the Phase IIB Project development as a whole. The payment will be made out of any profit remaining after all senior debt, equity and investor return is paid and the interest on the Authority's Affordable Housing Loan is repaid.

If no net profit is available to make this payment, the Authority takes the risk of never receiving the balance of the Leasehold Acquisition Fee. However, after calculating the Leasehold Acquisition Fee and looking at current comparables of Fair Market Value for Phase IIB Project, it seems reasonable to assume that the approximate \$5.2 million deposit and calculated interest will cover the Leasehold Acquisition Fee in its entirety. Current analysis of the net profit demonstrates that the Authority would be paid in full if the first sale takes place within the first 10 years after project stabilization.

The Authority is in the process of obtaining an appraisal. A provision in the proposed Third Amendment to the DDA allows both parties to execute the lease agreement based on the pre-existing deposit of \$5.2 million in base rent for Phase II provided by GALA and to work through the process to determine the final Leasehold Acquisition Fee.

Incentive Rent/First Sale Profit Participation

As members of the Authority, the County and CRA/LA each receive a share of base rent and incentive rent generated by the Grand Avenue Project in the amounts of 67.8 and 32.2 percent respectively. Both the County and CRA/LA originally agreed to dedicate GALA's \$5.2 million deposit of Phase II Project base rent and any interest earned to the development of Grand Park. Any funds received in the final determination of the Leasehold Acquisition Fee above this amount and any Incentive Rents on Phase II Project are to be split consistent with 67.8% and 32.2% listed above.

GALA requested that the Incentive Rents condition under Section 204.A.II.b be removed as a provision of their development of Phase IIB Project. Given the current cost of construction and the evolving market for high-end rentals in Downtown Los Angeles, interested lenders and equity providers are not comfortable with the Incentive Rent provision as explained below.

Section 204.A.II.b of the DDA provides that with respect to Market Rate Rental Units, an annual total Incentive Rent will be triggered and payment needs to be made by the developer as follows:

- 2% of gross annual rents in excess of \$40.00 per square foot (up to \$45.00 per square foot) of Gross Leasable Area (GLA) per year; plus
- 2.5% of gross annual rents in excess of \$45.00 per square foot (and up to \$50.00 per square foot) of GLA per year; plus
- 5% of gross annual rents in excess of \$50.00 per square foot of GLA per year.

The intent of the Incentive Rent provision is the capture of the upside potential of market rent increase in the form of participation after the project achieves certain rental rates. However, the global financial market crash led to delays in the implementation of the Grand Avenue Project overall and the proforma and underwriting for the original DDA in March 2007 is based on a financial analysis with assumptions that are now clearly outdated.

The revenue and cost assumptions in the current proforma for Phase IIB Project demonstrate that the project, even when it achieves the “trigger rates” for rents under the Incentive Rent provision will not generate sufficient cash flow to meet the senior lender’s debt service coverage ratio, cover partnership payments, required equity investors returns and an Incentive Rent payment to the Authority. Consequently, the Incentive Rent triggering rates of \$40.00, \$45.00 and \$50.00 in the original DDA are no longer tenable in today’s market.

As a result, the proposed Third Amendment to the DDA proposes to eliminate the Incentive Rent in exchange for an upside participation in the form of profit sharing on disposition (First Sale Profit Participation) (Attachment F, Sample First Sale Profit Participation). This option would provide the Authority with a percentage of profit sharing at exit by the Market Rate Developer from Phase IIB Project. Under this scenario the Authority would receive 50% of profits after operating costs, pay off of outstanding debt, and the equity investor receives its 20% return on investment. This provision allows the Authority to potentially receive a meaningful level of participation in upside. Combined with the Acquisition Lease Rent paid at or above fair market value; increased property tax revenue received after Parcel M-2 is developed; and residual receipt and interest payments on the affordable housing loan, First Sale Profit Participation is a reasonable means to ensure over time that the Authority has received consideration in the transaction, and the public shares in any upside.

Grand Avenue Project-Phase IIB Developer

Prior to construction and execution of the ground lease, GALA will be assigning its rights and obligations to the Phase IIB Project under the DDA to Grand Avenue M Housing Partners, LLC, the affordable housing developer, to construct Phase IIB Project.

The managing member of Grand Avenue M Housing Partners, LLC, a California limited liability company is Related California Urban Housing, LLC, a single-purpose entity. The tax credit equity provider, Boston Financial, will be admitted as a non-managing member to Grand Avenue M Housing Partners, LLC upon funding of the initial installment of its equity contribution to the affordable housing development and will receive 99.99% share of the Grand Avenue M Housing Partners, LLC.

In order to accommodate the separate economic interests and requirements of the equity investor in the market rate units and the tax credit investor in the affordable units,

Phase IIB Project's market rate and affordable components will be separately owned but managed as one building.

Accordingly, upon completion of construction of Phase IIB Project, Grand Avenue M Housing Partners, LLC will assign and convey fee interest in the market rate units and sub-ground leasehold interest in the market rate parcel to Grand Avenue M Urban Housing, LLC, a California limited liability company, as the market rate housing owner.

The Grand Avenue M Urban Housing, LLC ownership is 90.60% by Related California Urban Housing, LLC, and two limited liability companies, consisting of employees of the Related Company at 6% for William Holdings, LLC and at 3.60% for Viking 32 Holdings, LLC, respectively. Related California Urban Housing, LLC is both the managing member of Grand Avenue M Urban Housing, LLC and Grand Avenue M Housing Partners, LLC.

Technical Changes to DDA for Phase IIB Project

A number of the changes under the proposed Third Amendment to the DDA are technical in nature and intended to amend the DDA to permit GALA to assign their development and ownership rights in Phase IIB Project; ensure that there are sufficient guarantees during construction of the development; protect the Authority's rights and remedies in both the affordable and market rate developments; and provide a means for the Authority to ensure the property is well-managed, insured and maintained during the 99-year ground lease period. The restructuring recognizes the various hierarchy of rights between and among the lenders, investors, and leaseholders.

These changes are mostly reflected in the "Representations, Warranties and Covenants" sections of the Third Amendment to the DDA as well as the "Transfer Restrictions" and "Additional Rights of Investor" sections. The changes allow the Authority to enter into two sub-ground leases with the market rate and affordable developer and ensure that the developer and owners provide reasonable warranties and covenants consistent with their level of responsibility or ownership. The changes also address any cross-default issues and investor rights and remedies. The Third Amendment to the DDA also changes the net worth requirement for Related as a guarantor for the Phase IIB Project from \$500 million down to \$200 million. The original \$500 million was set based on the construction costs associated with the Phase I Project development on Parcel Q. Given that Phase IIB Project is a much smaller project with a total construction cost of \$119 million, the CRA/LA determined that \$200 million net worth is considered a more reasonable requirement.

Subdivision Map

Lastly, to accomplish the separation of the sub-ground leasehold estate, GALA is processing an air rights subdivision of Parcel M-2 creating separate legal parcels for the affordable project and the market rate project. The parcel for the affordable project will consist of the 56 affordable units and the market rate parcel will consist of the remaining

215 units, 100% of the common area, the parking garage and all the retail space in the project. The Phase IIB Project REA between Grand Avenue M Housing Partners, LLC and Grand Avenue M Urban Housing, LLC will set forth the rights and responsibilities of each party for building maintenance and operations. The REA is one of the many ancillary documents the Authority is required to review and approve as part of this transaction and along with the subdivision map will be recorded against fee title. Allowing for these encumbrances on CRA/LA's fee interest in Parcel M-2 is a new provision of the Third Amendment to the DDA and Ground Lease and is therefore included as a specific action for the Board's approval.

Environmental Review

In November 2006, acting as the lead agency, your Board certified the Grand Avenue Project Environmental Impact Report (Final EIR) for the Project, a mixed use development on Parcels Q, W-2, L, M-2, and potentially W-1, along with a revitalized and expanded civic park.

In August 2010, your Board certified the Addendum to the previously certified Final EIR in connection with the First Amendment to the DDA and a change in the scope of development to permit the Broad Museum improvements on Parcel L (Phase IIA Project).

In April 2011, your Board approved a Second Amendment to the DDA, which addressed a less dense scope of development on Parcels L and M (Phases IIB and IIC) owned by the CRA/LA and an acceleration of construction of previously approved public improvements to be part of the Parcel L Broad Museum construction schedule. No further environmental review was required for the amended and less dense scope of development as the amended scope was within the scope of the previously certified Final EIR and Addendum.

The proposed changes in the scope of development on Parcel M-2 presented in the Third Amendment to the DDA with respect to Phase IIB Project are within the scope of the previously certified Final EIR and Addendum. No further environmental review is required for the recommended actions because since certification of the Final EIR and Addendum there has been no change to the Grand Avenue Project or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164. The mitigation measures and related conditions of approval applicable to the Phase IIB Project have been reviewed and will be monitored for compliance (Attachment G, Mitigation Measures).